Financial News Conference
Thursday, February 25, 2021
Leverkusen

Address by

Werner Baumann,
Chairman of the Board of Management,
and

Wolfgang Nickl,
Chief Financial Officer

(Please check against delivery)

(2021-1500e)
Werner Baumann:

Ladies and gentlemen,

Welcome to today's financial news conference call. We’re pleased to present our 2020 results to you today, and we will of course be happy to take your questions afterwards.

As I'm sure you're all aware, last year was greatly influenced by COVID-19. That was as true for Bayer as for all other companies around the world. The day before our news conference a year ago, there was a report of a first suspected case of COVID here in Leverkusen. While that particular report was unfounded, it was at that time that the virus arrived in Germany.

A lot has happened since then, so I’d like to start with an overview of the main topics in our focus during 2020.

What we achieved in 2020

1. Strong response to COVID-19
2. Stable operational business
3. Setting stage for future growth

First, of course, an important priority has been the responsibility we bear toward our roughly 100,000 employees around the globe. Since the beginning of the pandemic, we have taken extensive protective measures at all our sites, and have reviewed and adapted them regularly.
With these measures we have succeeded very well in keeping farmers, patients and consumers supplied with what are in some cases essential products – even under the most difficult conditions.

In addition, our employees have displayed great initiative in doing what they can to help since the pandemic began. Bayer has donated money and medical supplies or assisted in other ways in many parts of the world. We’re also supporting COVID vaccinations: We’re currently making our cultural events venue available here in Leverkusen, and we’re providing special refrigerators in the United States, for example.

A few weeks ago, we formed an extensive partnership with CureVac. Our initial focus is on supporting the clinical studies and approval process for CureVac’s vaccine. At the same time, preparations are underway in Wuppertal and across our global production network so that we can help with vaccine manufacture, too, as soon as possible.

COVID-19 has produced some major changes in the demand situation. We’ll look at the various effects in a moment. Overall, we have delivered a stable operational performance during the pandemic.

We also used the past year to lay the foundation for future growth. We continued to drive forward our company’s transformation, advanced our product pipelines, and invested in new technologies across all our business units.

We recently made encouraging progress with our late-stage pharmaceuticals pipeline. It contains blockbuster candidates with peak sales potential in the billions of euros: Nubeqa™, finerenone, Verquvo™ and BAY-342.

In January, we received approval from the U.S. Food and Drug Administration – or FDA – for Verquvo™, our product to treat chronic heart failure. Also in January this year, the FDA granted priority review for finerenone to treat patients with chronic kidney disease and type 2 diabetes.

In the pharmaceuticals business alone, we also entered into more than 25 acquisition or collaboration agreements in 2020. In particular, we took a major step forward in acquiring the biotech company AskBio.
With AskBio and BlueRock Therapeutics, we are building a platform for cell and gene therapy and are further consolidating our emerging leadership in this highly promising and fast-growing field. With this platform, we can work on pioneering innovations to treat or even cure diseases. This applies, for example, to Parkinson's, a neurodegenerative disorder that has so far proven impossible to cure. We now have two different clinical studies underway for completely new therapeutic approaches to Parkinson’s.

Potentially groundbreaking innovations like these always involve considerable uncertainties. That’s part and parcel of innovation. The way BlueRock has developed nicely vindicates our approach. In 2016, BlueRock was among the first investments of our “Leaps by Bayer” unit, which deliberately targets technologies of the future and forms or supports startups. By 2019, BlueRock’s stem cell technology was so far advanced that we wholly acquired the company. And in 2020 we integrated it into our cell and gene therapy platform.

Last year, we systematically invested for the future in the other divisions as well. At Crop Science we launched VitalaTM, our new short-stature corn variety, with a pilot project in Mexico. The shorter stalks make the corn more resilient to extreme weather events, which are becoming more common due to climate change. And the new variety needs less land, water and nitrogen to achieve the same yields. This technology has the potential to revolutionize the way corn is produced in the coming years and benefit farmers across the globe.

At Consumer Health, we purchased a majority interest last year in Care/of, a leading personalized nutrition company. This expands our position in the promising market for nutritional supplements, which showed particularly good global growth last year.
Looking back on 2020, we see a robust operational performance in spite of the pandemic. That will be clear to you from the three key indicators of our business development shown on this slide – sales, EBITDA before special items and core earnings per share.

Group sales amounted to 41.4 billion euros and increased by 0.6 percent after adjusting for currency and portfolio effects. Reported sales were down by just under 5 percent. We experienced significant negative currency effects totaling 1.9 billion euros.

After adjusting for special items, EBITDA – or earnings before interest, taxes, depreciation and amortization – for 2020 amounted to 11.5 billion euros. So in the end – despite the currency effects, COVID-related sales losses and substantial price reductions for two of our pharmaceutical products in China – our adjusted earnings were at the prior-year level. And just to remind you: the 2019 figure represented Bayer’s highest earnings ever. That’s further proof of how robust our businesses are.

EBIT – in other words the operating result after deducting depreciation, amortization and impairments – came in at minus 16.2 billion euros. That was after special charges for provisions established in connection with the glyphosate, dicamba, PCB and Essure™ litigations, which also partly affected free cash flow.
EBIT was also impacted by noncash impairment charges of 9.1 billion euros on various assets of our Crop Science Division. We already talked about this in the fall of last year.

Core earnings per share for 2020 were also level with the prior year at 6.39 euros. If you factor out the negative currency effects, core earnings per share would have been just under 7 euros, which is almost the level we had been targeting for 2020 before the pandemic spread.

Wolfgang Nickl will run you through the business developments at the divisions in a moment. But first, let’s look at how our performance in 2020 compared against the forecast.

The outlook for 2020 that we published early in the year did not yet take potential effects of COVID-19 into account. In the summer, we revised the outlook based on our business performance in the first six months, at the same time keeping in mind the many uncertainties and foreseeable headwinds. Today it’s clear that we achieved our adjusted operational targets for 2020.
Considering the growing difficulties and historic challenges we faced as the year went on, the green checkmarks you see on this slide represent very good news. For one thing, they prove the great commitment shown by our employees. In addition, the overall stability and resilience of the business in 2020 shows we are active in the right industries.

We obviously want to ensure that our stockholders share appropriately in the operational success we achieved in 2020. At the Annual Stockholders’ Meeting, we will therefore propose a dividend of 2.00 euros per share. We are thus maintaining our dividend policy of distributing between 30 and 40 percent of core earnings per share.

We have also made considerable progress toward our nonfinancial targets for the Group. In 2019 we had announced our ambitious sustainability goals for the year 2030, together with our decision to become a carbon-neutral company.

So as part of our 2020 reporting, we’re now describing our progress in these areas for the first time. Our climate protection goals have been reviewed by the Science Based Targets Initiative, which has confirmed that Bayer is helping to limit global warming to 1.5° Celsius and fulfill the Paris Climate Agreement.

Based on our social sustainability goals, we plan to support more smallholder farmers in low- and middle-income countries and provide more women with access to modern contraception. We also aim to expand access to our everyday health products for people in underserved communities around the world. We made progress in all these areas in 2020 and developed a clear roadmap through 2030 for achieving our sustainability goals.

Another very important goal remains the resolution of the glyphosate litigation in the United States. Here we took a major step forward at the beginning of February. We have reached an agreement with plaintiffs’ counsel on a revised class plan intended to manage and resolve future cases. Both parties have worked diligently to address questions the court raised after their first settlement proposal for future Roundup™ cases last summer. The new agreement is now subject to court approval.

We are making further progress with the current claims, most of which have since been settled. Approximately 90,000 current claims are now either covered by settlement agreements or did not meet the settlement program eligibility criteria.
That now brings us to the figures for the divisions and the financial outlook for 2021. Wolfgang Nickl will run you through both of these.

**Wolfgang Nickl:**
Thank you, Werner. Ladies and gentlemen, a warm welcome from me as well.

I’d like to give you an overview of the business development in our divisions for the full year 2020, starting with our agriculture business.

![Business performance 2020 at Crop Science](image)

The Crop Science Division posted sales of 18.8 billion euros last year. That was an increase of 1.3 percent after adjusting for currency and portfolio effects. The businesses in the Latin America and Asia/Pacific regions contributed to the increase. In North America, however, sales declined, with business impacted by shifts in demand and, above all, the temporary loss of the registration for our herbicide XtendiMax™. So it was all the more important that we then received a five-year registration for XtendiMax™ in October.
Weaker demand caused by the pandemic also had a negative effect. A drop in demand for biofuels depressed prices for agricultural commodities in the first half of the year, particularly in North America. This had negative repercussions for our business with corn seed and traits, for example.

Sales of fungicides advanced in all regions. In Latin America, we raised sales of the new product Fox Xpro™ that we launched in the previous year. We also achieved strong growth in our Environmental Science business unit.

EBITDA before special items at Crop Science declined by 3.8 percent in 2020 to 4.5 billion euros. Earnings were diminished by negative currency effects of 537 million euros. Positive effects came from the realization of further cost synergies and, among other things, lower travel expenses due to the pandemic.

That brings me to our Pharmaceuticals Division.

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<th>Business performance 2020 at Pharmaceuticals</th>
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<td><strong>Sales</strong> in million €, % y/y, copa</td>
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<th><strong>Volume</strong></th>
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- COVID-19 impacted elective treatments, primarily IUD franchise (-9%), Eylea (0%) and Radiology (-5%) — sequential improvement in 2H2020
- Xarelto’s growth trajectory remained intact (+12%)
- In China, volume-based procurement significantly impacted sales of Glucobay and Avelox
- Successfully matured late-stage pipeline (e.g. Verquvo, Finerenone) to deliver new product launches
- Established cell & gene therapy platform to accelerate innovation

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This business posted sales of 17.2 billion euros in 2020, which was equivalent to a 1.5 percent decline after adjusting for currency and portfolio effects. The decrease was largely due to the global COVID restrictions, which led to a reduced number of
medical treatments, particularly in the first half of the year. This particularly impacted our ophthalmology and women’s health businesses. At the same time, the stricter hygiene measures also caused treatments to be delayed, for example in radiology.

The impact of the practice closures and reduced numbers of treatments last year is exemplified by our ophthalmology drug Eylea™, sales of which were only at the prior-year level. In addition, the new tender procedures introduced in China held back sales of our products Glucobay™ and Avelox™.

On the positive side, our anticoagulant Xarelto™ again performed well last year, with sales up 12 percent thanks to markedly higher volumes in China and substantial growth in Europe.

Sales of Aspirin™ Cardio grew significantly, partly as a result of strong demand in Mexico, where this medicine was also used in the treatment of COVID-19 patients.

EBITDA before special items at our pharmaceuticals business increased by 2.6 percent to 6.0 billion euros in 2020. This earnings growth was achieved through stringent cost management – despite the slight decline in sales.

Now let’s move on to our business with self-care products.
Sales of Consumer Health in 2020 amounted to 5.1 billion euros. This represented a substantial gain of 5.2 percent when adjusted for currency and portfolio effects. Our Consumer Health Division thus grew at the forefront of the industry – in an especially important year for people’s everyday health.

All the regions contributed to the increase, which also shows that prevention, self-care and generally taking care of one’s own health and that of family and friends have grown in importance worldwide during the pandemic.

We’re noticing that especially in the Nutritionals category, where there was particularly strong global demand for our products in 2020. Sales of our nutritional supplements rose overall by nearly 23 percent when adjusted for currency and portfolio effects. In North America, too, business in the Nutritionals category showed a double-digit increase that was partly driven by the continuing high demand for our One A Day™ vitamins.

In addition, we registered encouraging sales gains in the Pain & Cardio category and also grew sales in the Dermatology category.
The pandemic had an adverse effect on sales of our cough and cold medicines, because the stricter protective and hygiene measures adopted worldwide led to fewer colds.

EBITDA before special items at Consumer Health came in at 1.1 billion euros in 2020, down 2.5 percent from the prior year. At the same time, the clean EBITDA margin improved to 22 percent. Positive effects came from the significant sales growth and from the efficiency program underway since 2018. Earnings were held back by negative currency effects and the absence of contributions from the businesses divested in 2019.

Ladies and gentlemen,

That brings me to the end of my review of last year’s business developments. Now I’d like to look briefly at the impact of currencies, which we’ve already mentioned several times.

Bayer had to contend with significant currency headwinds last year. And the fact that these effects have such a strong impact obviously has to do with our company’s global footprint. As you can see on the slide, we record more than 80 percent of our net sales outside the eurozone, and therefore in other currencies.
You will also notice from the graphic how important certain markets are for Bayer’s economic development, an example being the agriculture business in Latin America. So the development of currencies used in these markets, such as the Brazilian real, has a big impact on our business.

We can already predict negative currency effects for 2021 as well, based on the spot exchange rates at the end of last year. So we’ve taken them into account in our outlook for the current year. And at the same time we’ve provided a currency-adjusted forecast to improve comparability.

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We expect sales of between 42 and 43 billion euros in 2021. This corresponds to an increase of about 3 percent on a currency- and portfolio-adjusted basis. Based on the exchange rates at the end of 2020, we expect negative currency effects to impact sales to the tune of around 2 billion euros, mainly driven by the rate for the U.S. dollar in the first half of the year.

We anticipate a clean EBITDA margin of about 27 percent. Based on this sales forecast, that would correspond to currency-adjusted clean EBITDA of 11.2 to 11.5 billion euros.
Core earnings per share this year should come in at between 6.10 and 6.30 euros. That's slightly below the 2020 level, as we already indicated last September. This assumption for earnings per share is based on constant currencies. In addition, we anticipate a negative currency effect of 50 cents if we take the exchange rates as of December 31, 2020.

We predict a free cash flow of between minus 3 and minus 4 billion euros in 2021, mainly due to expected litigation payments of around 8 billion euros. These payments will also raise our net financial debt to between 36 and 37 billion euros.

If we take a somewhat broader view of 2021, then of course combating COVID-19 remains the first priority. The pandemic is still far from over. It will continue to affect people as well as markets worldwide. Against this backdrop, we very much hope that we will be able to help with vaccine production this year through our collaboration with CureVac once the vaccine it has developed is approved.

Looking at the global agricultural market, we're cautiously optimistic. Prices for corn, soybeans and other crops have improved considerably since September of last year, and China is recovering from the African swine fever. We hope this momentum will be maintained in 2021, as this may have a positive impact on our current estimates for market growth at Crop Science this year.

And now I'll hand back to Werner Baumann.
Werner Baumann:
Thank you, Wolfgang. Ladies and gentlemen,

You’ve heard our financial prospects for 2021. Before we take your questions, let me say something more about our other priorities.

Priorities for 2021

1. Continue the fight against the pandemic
2. Ensure supply to our customers
3. Advance the transformation of Bayer

The first priority for us, of course, continues to be the fight against the pandemic and, linked to that, the safety of our employees.

Rarely before has the entire world so eagerly awaited and relied upon the findings of scientists as it did last year in the fight against the coronavirus.

Multiple vaccines against COVID-19 have received regulatory approval in the space of less than a year. We will do what we can to enable millions of people to be vaccinated – through our collaboration with CureVac and by manufacturing the vaccine.

At the same time, of course, we are focused on keeping our customers reliably supplied with what are in some cases essential products. Last year amply demonstrated the
systemic importance of our businesses for health and nutrition. That will remain so in year two of the pandemic.

Thirdly, we will systematically advance the company’s transformation. We are doing this to address a paradigm shift in our industries that can perhaps best be described in the words of a man who became known as a visionary.

Former Apple CEO Steve Jobs was asked ten years ago what he thought were the greatest disruptions that lay ahead. He replied: “The biggest innovations of the 21st century will be at the intersection of biology and technology. A new era is beginning.”

Bayer is in the midst of its transformation to face this new era. And the special opportunity lies in the fact that foundation technologies such as gene editing and microbiome research will drive innovations in all of our businesses.

This bio revolution harbors a great deal of potential that can be harnessed to help solve some of the most pressing questions facing humanity: How can we ensure food supplies for more and more people in times of climate change? How can we safeguard quality of life for an ever-increasing number of elderly people? Finding answers to these questions is what underpins Bayer’s outstanding long-term growth prospects. And we continue to work at full steam this year toward doing just that.

Transformation – as we’ve already said – includes divesting nonstrategic businesses or brands below division level. For example, we intend to sell the Environmental Science Professional unit in order to focus our Crop Science division on its core agricultural business. The announcement to this was published yesterday.

Transforming our company also means further refining our internal processes to optimally position ourselves for the future. For me, this includes the ambitious goals for inclusion and diversity that we communicated at the start of this week. With these goals we have set clear standards for our people development in the coming years. That is an important condition for attracting and retaining the best talents.

Thank you very much for your attention. Now we look forward to your questions.
Forward-Looking Statements
This release may contain forward-looking statements based on current assumptions and forecasts made by Bayer ma-
agement. Various known and unknown risks, uncertainties and other factors could lead to material differences between
the actual future results, financial situation, development or performance of the company and the estimates given here.
These factors include those discussed in Bayer’s public reports which are available on the Bayer website at www.bayer.
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